

Facts about the Albany County Health Care Facility in 2012

We filed our Annual Financial Report (AFR also known as AUD) with the Office of the State Comptroller on April 30, 2012, as required by NYS law. In satisfaction of the County Charter's requirement for an annual report from the Department of Audit & Control, we deliver an Annual State of the Fisc in May and occasionally in June legislative calendar permitting.

Because of the importance of the Nursing Home decision, heated debate and confusion about the numbers, I am changing the normal format of my presentation this year. The State of the Fisc will begin with the 2012 Albany County Residential Health Care Facility.

- In 2012 Albany County's support for the Nursing Home is: \$6.8 million dollars net contribution after the
- \$7.8 million dollars Inter Governmental Transfer (IGT) from the Federal Government for 2012 and we make our 50% match to receive the IGT monies of
- \$3.9 million contribution from our Medicaid costs to qualify for the \$7.8 million IGT

Compare this to the chart showing the contributions made to the Nursing Home from 2002 through 2012 and clearly there is good economic news regarding the operation of the Nursing Home relative to past years.

There are no winners in the current debate over the Albany County Nursing Home...not the Executive, Legislature, Residents of the Home, Residents shipped to other Counties and States, Employees of the facility, other County employees and certainly not the taxpayers. The only parties who have a chance at winning in this contentious debate over what to do are the State of New York who continually underfunds governmentally operated facilities and the

“favored” private operators who are gobbling up County owned facilities in New York State.

New York State has transshipped tens of thousands of medically frail nursing home residents out of state in the past decade along with almost a billion dollars of taxpayers’ money rather than fix the problems we face with long term care costs. In our own case, a private operator could grow from one small facility in Rockland County to becoming the operator of almost a dozen facilities.

The issue of what to do with the Nursing Home has been the preverbal can, kicked down the road since our PRELIMINARY REPORT OF EXAMINATION of AUDIT OF THE ALBANY COUNTY RESIDENTIAL HEALTH CARE FACILITIES in 2001 which was released February 20, 2002.

Our office will be reloading that audit on our webpage because of the importance of the current debate about the nursing home’s fate and as a reminder to those who have forgotten its history. We are also posting the Federal audit and their testimony to Congress about our failures and several other documents intended to aid in the discussion of what to do as well. Below is an excerpt of the 2002 Preliminary Report on the Nursing Home, in italics.

2002 Audit Observations and Conclusions

Based on the audit work performed, we conclude that the County lacks the commitment and oversight necessary to assure that the facilities carry out their mission. Therefore, the facilities fail to meet their stated outcome, “Nursing Home Residents will enjoy the highest possible quality of life in a nurturing environment that meets all medical, nursing, therapeutic, nutritional and psychosocial needs.” Through our audit, we found that certain financial transactions diverted significant financial support from the facilities to the General Fund at the same time that the New York State Department of Health

cited re-occurring non-compliance issues. This included the recent citation of the Albany County Nursing Home as being in “immediate jeopardy to resident health and safety.” This category is defined as the “(facility) has deficiencies that have caused or are likely to cause serious harm, injury, impairment or death if not immediately rectified.” Furthermore, we conclude the following as attributing to these violations:

- · Staffing shortages
- · Inadequate administration
- · Financial mismanagement of resources made available
- · Lack of technology
- · Lack of oversight
- · Failure to provide necessary systems
- · Employee morale problems
- · Deferred maintenance
- · Supply shortages

There were two additional Immediate Jeopardy findings by the NYS Department of Health after this report was issued. Most of the observations of 2002 are still present today at the facility.

The Executive readily admits, as does most of the Legislative leadership, that nothing was been done while the previous administration neglected the nursing home in an attempt to close the desperately needed source of care. Why the Breslin Administration was allowed to abandon this home which had a great reputation is testament to the failure of the Albany County Legislature to act.

Dan McCoy, to his credit, admits that he was part of the group that did nothing while people were shipped out of the County and the State under his watch as a Legislator, Chairman of the Democratic Party and Chairman of the Albany County Legislature. Again, to his credit, Dan is trying to move the issue by following the

recommendation of his Transition Committee's Report and forcing the matter to conclusion.

I believe the Transition Report recommendation to get out of the nursing home business benefited the recommender, not Albany County. St. Peter's Health Care group operates 3 hospitals and 6 nursing homes that could benefit from the closure of our facility.

Now, under County Executive McCoy's leadership, the issue has been effectively joined. Shawn Morse, Frank Commisso and Christine Benedict as leaders of the Albany County Legislature have focused their members on this vitally important moral issue concerning the medically frail and elderly receiving care at the Albany County Nursing Home.

Legislators Morse, Commisso, Cotrofeld, Mackey, Domalewicz have been joined by several other legislators in crafting an alternative proposal about what to do with our nursing home.

Simply put, the County Executive wants to privatize the facility via a lease agreement with United Services Group (USG) with a 20 year lease that gives USG control of our property and virtual ownership of our license to operate an Article 28 Residential Health Care Facility.

His claim was that we will save \$100 million over that period of time by paying USG an upfront fee and loaning them approximately \$16 million at a low interest rate. To his credit, the County Executive worked with the Legislature to modify the lease arrangement to remove the loan (which I do not believe is bondable transaction and may violate GML) and institute a payment of \$8.9 million to USG over a period of three years.

The Legislature's proposal to retain a private management group to run the facility in an effort to rehabilitate the facility with the unions support claims to reduce costs significantly while maintaining control of the facility.

Heated communications between the Executive's staff and the Legislature allege various nefarious outcomes should the Legislature deviate from the Executive's proposal.

The "Wisdom of Solomon" is called for to deal with this conflict. Heated personal feelings have over shadowed rational discussion on the matter.

There are roughly 16 New York State Nursing Homes that have been listed for sale, are under contract or have been sold according to an industry expert's spreadsheet which is now on the screen. We received this chart as a result of meeting with an attorney who has handled a half a dozen transactions for Counties, including one with USG.

If you look at the prices listed for each facility, you'll notice that all 16 are getting paid for their facility. Some of the numbers are in the range I suggested were possible last year when the Executive's proposal to lease the facility arose. County Executive staff indicated that was not possible at the initial meeting.

I believe it is extremely unusual for us to pay someone for the privilege to control and operate our facility while every other transaction we can find is the reverse. Given my concerns about Albany County's history of buying high and selling low, the proposed lease takes this to an even worse level. We will actually lock up our facility for 20 years with the lease and pay someone to take control without receiving the return on our investment.

Please consider the Legislative option and have competition for the management concern.

Please also consider a few modifications of that proposal.

First, utilize the experience other Counties have in a similar transactions and form a Local Development Corporation, that

Chairman Morse recommend in 2010, to own the facility, licensure and lands.

Second, if the management proposal does not get the necessary union support to reverse the operational disaster that the Nursing Home has become since the Breslin Administration began dismantling a brilliant facility; **then the County should sell the asset to maximize the return to the taxpayer.**

It pains me to write that last sentence but it is critically important to recognize the cross roads we have reached while irresponsibly kicking the can down the road. Albany County has proven under the Breslin Administration and now McCoy Administration, that we do not have the ability, desire or willingness to manage the nursing home effectively or humanely.

If we do not indicate the seriousness of our need to correct the operational and financial dysfunction at the nursing home, another several years will fly by without resolving this critical issue. The potential sale of the facility will focus the unions, the operator and the County that absent significant reduction in the cost subsidized by the County taxpayers (\$5-7 million local share per year might be reasonable given the New York State climate), we should sell the property.

A potential sale of the property and adjoining lands could become a spur to creation of a healthcare campus with related development that could reduce the subsidy significantly while improving the care of our medically frail and elderly.

I remind the public and press that it took Danny McCoy, Shawn Morse, Frank Commisso, Sean Ward, Gary Domalewicz, Christine Benedict, Tom Cotrofeld, Mike Mackey and a host of others tremendous courage and risk to move this issue off the dime.

Passion is a great thing but we have rationally decide the best course of action. The fighting of the last few months has brought us to a financial game of chicken with the nursing home.

We need to rationally decide what is best for the Albany County Nursing Home. I am confident we can do that together.

Finally, I have personally explained to both parties that we will not certify payroll for the Nursing Home in July if the funds to do so are frozen in the Contingency Account. We look forward to assisting the Legislature with a transfer for the necessary time period as you negotiate a decision with the Executive.

Now to the boring charts and suggested remedy for studying an attrition plan for all 20 local governments.

Study

We met with professor Gerald Benjamin, SUNY Distinguished Professor – Political Science Associate Vice President – Regional Engagement CRREO Director of New Paltz Center for Research, Regional Education and Outreach to discuss the possibility of creating two comprehensive data bases, develop models and perform cost benefit tests to determine the characteristic of the workforce in the county, cities, towns and village within the County and their potential for working together to achieve a savings of \$30 million dollars over a 5 year period of time last fall.

I spoke with the executive and legislative leaders about this proposal last fall after we announced the savings our office produced on the second refinancing of County debt. While interested, neither thought the issue timely. I am including a copy of the proposal as the single largest remedy for the cost of the delivery of government within our County.

We should discuss the worthiness of the endeavor with our partners in government; procure services if there is a desire to work together on this project and bid for the services. We have a significant portion of the cost covered with additional savings on the debt restructure. God bless all here,

Respectfully,

Michael F. Conners, II

Albany County Comptroller

Department of Audit & Control

See attachment from Professor Benjamin on next four pages



New Paltz

STATE UNIVERSITY OF NEW YORK

Center for Research, Regional Education and Outreach (CRREO)

Memorandum

To: Hon Michael Connors II
Albany County Comptroller

From: Gerald Benjamin, SUNY Distinguished Professor - Political Science
Associate Vice President- Regional Engagement
CRREO Director

Re: Proposed County Comptroller's Albany County Local Government Collaboration for Efficiency Study

Dated: October 15, 2012

In accord with our conversation on October 3, 2012, I outline below a proposed "County Comptroller's Albany County Local Government Collaboration for Efficiency Study" and accompanying budget. I look forward to your comments and reactions, and those of your staff, as we regard the development of this project as an iterative process.

I remain excited at the prospect of us working with you on this important initiative.

I. Project Goals:

1. Create two Comprehensive data bases:
 - a. One containing the characteristics and places of work of the current workforce in county, city, town and village government in Albany County New York and
 - b. One mapping service delivery locations and levels and patterns of service delivery for these local governments.
2. Develop models, based upon these data bases, for reducing local government staffing in Albany County without reduction of service levels.
3. Perform cost/benefit tests on the application of these models as a basis for recommendations by the County Comptroller to achieve efficiencies and savings so as to allow achievement of an aggregate net salary reduction for local governments of \$30 million over 5 years.

II. Project Duration: 18 months

III. Project partners: CRREO at SUNY New Paltz and Office of the Comptroller, County of Albany will work collaboratively on all phases of this research.

CRREO will take principle responsibility for:

Building and cleaning the required data bases

All project mapping

Developing change models

Testing change models

Office of the Comptroller will:

Oversee the research, assemble any needed advisory group of stakeholders, and administer any advisory process for this project

Advise continuously on all phases of research

Provide access to needed data from state and local offices and governments

Provide access to local government officials

Provide guidance on categorization of local government jobs and job titles in Albany County in Phase I (see below)

Assist with and review model construction and testing in Phases II and III (See below)

Review and comment upon draft materials at different project phases

Note: Strategic and tactical methods needed to give practical effect to the approaches identified in this study are not part of the empirical research proposed, but are the province of the Comptroller and must inform the project from the outset. Among these are:

1. Inclusion of/consultation with other local elected officials
2. Buy-in from labor unions and workforce advocates
3. Support from constituency groups (e.g. business community, media)

IV. Project Organization: Three Phases

Phase I – Data base assembly, organization, construction, and cleaning (6 months)

Phase II – Further Mapping and Model Development (6 months)

Phase III – Model Application and Testing (6 months)

V. Project Phases: Detail

Phase I: Assemble data bases of the salient characteristics of the current workforce, by municipality and local government places of work, in Albany County.

- A. Building upon individual level data available from the state comptroller and other sources, systematically group and describe municipal employees by job type, within functions or categories, for all 20 of the county's general purpose governments (county, towns, cities, and villages) to include:
 1. Employer
 2. Age
 3. Seniority
 4. Compensation level
 5. Pension system
 6. Health care benefits
 7. Union membership
 8. Place of work

- B. Identify and map all locations at or from which local governments work and the geographic distribution of these employees across Albany County, by job type.

Phase II. Mapping and Model Development

- A. Map local government service delivery in Albany County by location and function.
- B. Visually identify levels of service delivery by overlapping governments and gaps in service delivery.
- C. In consultation with the County Comptroller's office determine explanations for differing levels of and gaps in service delivery.
- D. Develop heuristic models for service delivery levels that may be compared to empirical levels.

Phase III. Model testing

- A. By application of these models, in consultation with the County Comptroller, identify for what functions and/or in which places the conditions of work may be altered or the workforce voluntarily reduced to achieve economies, and advance other governmental policy goals without layoffs:
 1. In consultation with the Comptroller and his staff, identify areas in or functions for which full-time workers are used in which use of part-time workers might be sufficient (e.g. highways – plowing and brush cutting)
 2. In consultation with the Comptroller and his staff, identify where staffing levels and apparent overlap in delivery of the same and/or similar services offers opportunities for cost reduction or efficiency

3. In consultation with the Comptroller and his staff, determine where job titles and numbers of employees suggest that attrition combined with inter-jurisdictional collaboration (position sharing, joint service delivery, inter-jurisdictional contracting) may be used to reduce costs

4. In consultation with the Comptroller and his staff, determine and specify inducements that may be used to encourage localities, workers and workforce advocates (labor unions) to voluntarily collaborate to affect identified opportunities for efficiency and or cost reduction. For example:

a. incentives to retire

b. incentives to retire and return part-time

5. In consultation with the Comptroller and his staff, identify ways to seek targeted rehiring to fill vacancies to reduce costs in other budgetary areas, (e.g. through hiring current recipients of public assistance) while achieving policy synergies and positive social outcomes.

B. Identify the impediments to implementation of changes to achieve economies or efficiencies in Albany County local government (union contracts, other legal barriers, min/max travel time added, etc.) and consider how these might be mitigated.

VI. Budget

Our university process requires that budgets for CRREO projects receive internal review and approval before leaving campus. The specific budget for this project is under review. We estimate that the cost of retaining CRREO for this project over 18 months will be between \$115,000 and \$120,000 for the eighteen month period. Further detail will be provided shortly.

c.c. Josh Simons, Eve Waltermaurer, Janis Benincasa

The State of the Fisc Slideshow presentation will be posted to the webpage tomorrow.